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3 - DEC 1964

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The President
The White House
Washington, D. C.

Dear Mr. President:

This letter is in response to your request for a statement from the head of each department and agency concerning desirable reforms in on-going programs as indicated in your statement to the Cabinet on 19 November, a copy of which was transmitted to me by Mr. Kermit Gordon.

At my direction the Central Intelligence Agency has intensified its program of management control designed continually to improve efficiency within the Agency, to eliminate marginal or outmoded activities and to stabilize, and if possible reduce, the Agency's budget as well as its manpower.

I believe that this program has been successful. The five-year forecast for the Agency's budget contains only very moderate increases which reflect the costs of conducting operations in foreign countries where rising price levels prevail; and the cost of pay raises already granted. These increases will be offset to some extent by actual reductions in the Agency's manpower. We are actually budgeting in 1966 for 558 fewer permanent positions than we had included in our 1964 budget. Many new and costly programs calling for additional funds and manpower have been successfully absorbed within

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W. F. Friedman

established ceilings. Programs considered redundant or of lesser priority have been screened out to make this possible. I see no reason why the five-year forecast should not prove to be accurate unless unanticipated tasks are assigned to the Agency.

Two points of importance, however, should be noted. One is that CIA must be prepared to take action required by policy makers on short notice to meet new political crises which are essentially unpredictable. A second point is the fact that CIA performs certain services which call for both manpower and appropriations over which it does not have exclusive control and which may involve increases over estimates projected in the five-year forecast. I have in mind certain communications responsibilities for the Department of State.

Turning to the question of the Intelligence Community as a whole in which I, as Director of Central Intelligence, by Presidential Directive have responsibility for coordination and guidance, I feel a continuing effort is indicated. The recognized budget for all intelligence activities is about [] CIA costs account for roughly []. The Defense Intelligence Agency, including intelligence components of the Army, Navy, and the Air Force, accounts for [] the National Security Agency, including the collection activities of the Services, for approximately [] and the National Reconnaissance Organization for []. A small amount is attributable to the Department of State.

I have created a small but highly qualified staff to assist me in my coordinating capacity, which has undertaken a series of studies and evaluations of programs conducted by the Intelligence Community. With this assistance, I have made and will continue to make recommendations to the Secretary of Defense, who is the Executive Agent for the National Security Agency and the National Reconnaissance Organization, concerning the extent to which economies might be effected without impairing the

collection, analysis and dissemination of essential intelligence. My concern has been to identify the priority objectives of the United States intelligence effort and to make sure that intelligence programs are as responsive as possible to these objectives. Over the past two years the United States Intelligence Board (USIB) has increasingly been providing guidance and managerial direction to the Community through the refinement of intelligence requirements and by careful scheduling of overhead reconnaissance activities, the allocation of ELINT and COMINT responsibilities, and review of the needs of the Community for research and development of new collection systems and sensors.

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The cost of the U. S. intelligence effort, as I have said, runs about [] and employs about [] men. This effort will continue to be substantial and is obviously essential for the national security. It is also a necessary factor in containing the military budget within realistic limits. In the absence of an intelligence system capable of identifying probable military and political developments, the cost of the forces required to meet all possible contingencies would clearly be prohibitive. Accurate information about enemy strengths and dispositions enables us to avoid excessive, as well as inadequate, expenditures for forces and armaments.

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The cost of this effort can be minimized by insisting that activities be confined to what is essential to the intelligence mission; that efforts be carefully screened to avoid duplication; that national intelligence assets, such as the National Photographic Interpretation Center, the National Security Agency and the National Reconnaissance Organization, created and operating at great cost to the benefit of all departments of the Government, be used to the fullest extent by the entire Intelligence Community and not be duplicated; and that the resources of the CIA, in areas of its special competence, in the field of covert collection of intelligence, the collation, analysis and reporting of intelligence, be utilized to the fullest by policy makers and members of the Intelligence Community and should not under any circumstances be duplicated.

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Effective coordination along the lines which I have suggested depends upon the existence and assertion of centralized coordinating authority. Under the terms of a Presidential letter, dated 16 January 1962, the responsibility to ensure effective guidance and coordination to the U. S. intelligence effort as a whole was entrusted to the Director of Central Intelligence. Acting under the authority of this directive, very considerable progress has been achieved. It, however, there is to be further improvement reaffirmation by Presidential Directive of the authority of the Director of Central Intelligence would be desirable. No new legislation appears necessary as an adequate statutory basis for the coordination of national intelligence programs exists in the provisions of the National Security Act of 1946.

I consider the relations of the Central Intelligence Agency with the Congress as reasonably satisfactory. During the three years of my tenure of office, I have met approximately once a month with a subcommittee of the House Armed Forces Committee chaired by Chairman Vinson and reviewed in depth our estimates of the world situation and details of the Agency's operations. Similar meetings have been held with a subcommittee of the Senate Armed Services Committee chaired by Chairman Russell, although because of the demand on the time of the members of the Committee, these meetings have been less frequent. Also, it is our practice to meet periodically with subcommittees of the House and Senate Appropriations Committees for the purpose of reviewing our budget which involves discussion of our activities and, in addition, to present a substantive briefing. I have recommended to both Senator Russell and Chairman Vinson that these Committees be expanded to include the senior Majority and Minority members of the Foreign Relations Committee and the Foreign Affairs Committee and it is my hope that early action will be taken on this subject. Frequently members of the Senate or the House visit the Agency headquarters at Langley and thus are acquainted with the organization and activities of CIA.

D/DCI/NIPE:JABROSS:ag (2/12/64)

Respectfully yours,

(Signed) JOHN A. McDERMOTT

John A. McCone
Director

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13 O/BPAM

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25 November 1964

The President
The White House
Washington, D. C.

Dear Mr. President:

This is in response to your request for a statement from the head of each department and agency concerning desirable reforms in on-going programs as indicated in your statement to the Cabinet on 19 November. I wish to assure you that the Central Intelligence Agency is devoting considerable effort to effecting tough-minded reforms and discarding outmoded programs in order to get every possible dollar's worth out of scarce budget resources. We have established a system to keep under constant review all of our work in all fields from intelligence production through the many methods of intelligence collection, including science and technology, to the many forms of administrative support for our operations.

Specifically, we have been conducting in recent months, where possible, time studies in various areas of intelligence production not only to insure that our reports in such fields as photographic interpretation are produced most efficiently, but also to provide guidance and criteria to those areas of the intelligence community which levy requirements for intelligence collection or production. We feel that we are achieving increased productivity and greater efficiency because our workload has

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has
/
continued to increase and the volume and quality of reports have also
and the quality has continued to improve,
continued to grow/ but we are accomplishing this with fewer people.

The Program Analysis Staff of my Budget Office conducts a continuous review of all existing programs and reports on a regular basis to the Executive Director-Comptroller as to reforms that can be made to increase efficiency or to eliminate marginal activities.

Your call for boldness strikes a particular note in the intelligence effort because our studies are rapidly reaching the point where only bold decisions as to what should or should not be undertaken will result in any appreciable reforms in the intelligence effort. In this area I speak particularly of the constantly growing manpower and money resources required in the signal intelligence field which can be limited only by a bold decision as to the size of the effort. I will be making recommendations in this regard at an early date.

Finally, the Central Intelligence Agency plans a vastly greater effort to acquaint the Congress in general with its activities during the forthcoming session. We will make a particular effort to meet with the new members of the House and Senate and give them a familiarization briefing on the organization so that they will be better acquainted with our work and thus more willing to support us when required.

Respectfully yours,

John A. McCone
Director

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EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
Washington, D. C. 20503

November 23, 1964

MEMORANDUM FOR AGENCY HEADS

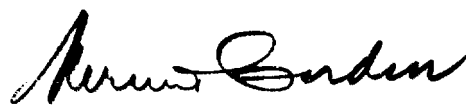
At the Cabinet meeting November 19, the President made a statement on the Great Society which he wishes to direct to the heads of all Departments and Agencies. A copy of the statement is attached hereto.

The President desires that each agency head make a searching review of his agency's activities and transmit to him a statement of desirable reforms in ongoing programs -- responsive to paragraphs 4-7 of his statement -- which would help to free funds in the 1966 and subsequent budgets to meet more urgent requirements.

The President has requested that in preparing these statements, each agency head

- Consider actions that require new legislation as well as actions that can be accomplished administratively.
- Consider actions that involve program substance as well as actions that relate to administrative matters (such as field office organization and user charges).
- Estimate the budgetary effects of the proposed adjustments and reforms for fiscal year 1966 as well as for subsequent years.

The President would like to have these statements from each agency head by noon Monday, November 30.


Kermit Gordon
Director

Attachment

IMMEDIATE RELEASE

NOVEMBER 19, 1964

OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE

STATEMENT OF THE PRESIDENT AT THE
CABINET MEETING -- NOVEMBER 19, 1964

The Great Society

1. Building the Great Society will require a major effort on the part of every Federal agency in two directions:

- First, formulating imaginative new ideas and programs;
and
- Second, carrying out hard-hitting, tough-minded reforms in existing programs.

2. All of you, I am sure, are convinced of the need of new ideas. I have been impressed with the imagination and vision you have shown in this area. But I want to impress on you the equally essential need to be bold in reforming existing programs.

3. The Great Society will require a substantial investment. This means:

- That as a nation we cannot afford to waste a single dollar of our resources on outmoded programs, which once may have been essential, but which time and events have overtaken.
- That as a Government we must get the most out of every dollar of scarce budget resources, reforming old programs and using the savings for the new programs of the Great Society. The Congress and the American people will provide the budgetary means to build the Great Society only if we take positive steps to show that we are spending only where we legitimately need to spend. Only if we are imaginative in reform will be allowed to be imaginative in new programs.

4. Reform comes in two packages:

First, we simply cannot afford to keep on doing the same thing year after year merely because that's the way we did it in the past. In particular, we cannot afford to spend scarce budget dollars

- to meet needs that no longer exist;
- to alleviate hardships that have long since been overcome; or
- to subsidize services that can be provided adequately at full cost.

Second, in what we do undertake, we must get the maximum value per dollar spent. I will continue to insist, as I have in the past, on increased productivity and greater efficiency.

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5. Each of you must take a cold, hard look at your existing programs. I expect each of you to be as bold and as imaginative in reforming ongoing programs as in proposing new ones.

6. I think there are many cases where boldness in reform will pay off.

To be sure, every program needing reform has a pressure group which will fight reform. But I want to make the decisions as to those fights which it will be worthwhile to take on and those which it won't. I want you to give me plenty of such decisions to make.

If we are going to make an impact -- and history will find no excuse for us if we don't -- there will be no better time than this coming session of Congress.

7. I need your help in this. I depend upon your sharpness of vision, and your knowledge of the programs in your Department to identify the reforms needed.

The speed with which we can move ahead to the Great Society will depend upon how well you do this job

-- now
-- in this budget, and
-- in this legislative program.

I think it is also very important that each of you get to know personally the new members of Congress, Republicans as well as Democrats.

We are planning a reception here from six to eight p.m., on December 9, for the new Democratic members of the House and Senate, and I want each of you to attend. This will not suffice, of course, for personal efforts on your part to get to know these men and women. In the long and short runs, I believe this personal relationship between senior members of the Administration and new members of Congress will return handsome dividends.

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